

EAST AFRICA METALS INC.  
(an exploration stage company)

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2017 and 2016

Expressed in Canadian dollars

(Unaudited – prepared by management)

*Notice to Reader: As required by National Instrument 51-102 subsection 4.3(3), readers are advised that an auditor has not performed a review of these interim financial statements*

**EAST AFRICA METALS INC.**

(an exploration stage company)

Condensed Interim Consolidated Balance Sheets - unaudited

Expressed in Canadian dollars, unless otherwise stated

	September 30, 2017	December 31, 2016
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 633,067	\$ 367,690
Accounts receivable (Note 7)	570,406	550,925
Prepaid expenses and deposits	146,270	99,503
	1,349,743	1,018,118
Taxes recoverable (Note 7)	523,087	208,343
Mineral property interests (Note 8)	20,796,069	22,420,582
Property and equipment (Note 10)	945,874	1,244,250
	\$ 23,614,773	\$ 24,891,293
<b>Liabilities and Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 491,407	\$ 914,194
Loan payable (Note 12(a)(vi))	600,000	--
	1,091,407	914,194
<b>Non-current liability</b>		
Leasehold inducement	59,015	78,688
<b>Total liabilities</b>	1,150,422	992,882
<b>Equity</b>		
Share capital (Note 11(b))	46,596,250	40,328,702
Warrants (Note 11(e))	688,243	1,280,432
Contributed surplus (Note 11(d))	147,741,356	146,458,190
Accumulated other comprehensive income	3,211,898	4,530,842
Deficit	(179,368,364)	(172,874,525)
	18,869,383	19,723,641
Non-controlling interest (Note 8)	3,594,968	4,174,770
	22,464,351	23,898,411
	\$ 23,614,773	\$ 24,891,293
Nature of operations and going concern (Note 1)		
Tanzanian Definitive Agreement (Note 2)		
Subsequent events (Notes 2, 4,8 and 11(e))		

Approved on behalf of the Board

(signed) "David Parsons"

(signed) "Sean Waller"

**EAST AFRICA METALS INC.**

(an exploration stage company)

Condensed Interim Consolidated Statements of Operations – unaudited

Expressed in Canadian dollars, unless otherwise stated

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
<b>Expenses</b>				
Amortization (Note 10)	\$ 13,724	\$ 15,149	\$ 40,948	\$ 55,833
Directors and board fees	19,125	25,583	74,769	52,900
Exploration and evaluation expenditure (Note 9)	665,411	422,840	4,295,770	1,833,088
Investor/shareholder communications and filing fees	61,049	301,862	594,138	459,020
Legal, audit and audit related fees	8,490	42,883	54,459	75,148
Management and advisory consulting fees	162,881	244,819	556,608	561,870
Office and administration	115,270	79,510	347,529	267,552
Rent and occupancy costs	69,507	37,683	200,318	113,048
Salary and benefits	58,775	58,318	234,064	168,310
Share-based compensation (Note 11(d))	--	--	161,457	193,089
	1,174,232	1,228,647	6,560,060	3,779,858
Foreign exchange loss	30,364	2,672	156,915	51,575
Finance costs (Note 12(a)(v))	--	--	9,880	--
Interest income (Notes 2 and 7)	(4,429)	--	(28,480)	(553)
Net loss for the period	1,200,167	1,231,319	6,698,375	3,830,880
Net loss attributable to:				
Shareholders	1,162,994	1,185,323	6,493,839	3,700,364
Non-controlling interest	37,173	45,996	204,536	130,516
	1,200,167	1,231,319	6,698,375	3,830,880
<b>Loss per share, basic and diluted</b>	\$ 0.01	\$ 0.01	\$ 0.05	\$ 0.03
<b>Weighted average number of common shares used in the calculation of loss per share – basic and diluted</b>	147,897,161	115,492,468	139,516,778	108,168,779

Condensed Interim Consolidated Statements of Comprehensive Income (Loss) – unaudited  
(Expressed in Canadian dollars)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
<b>Net loss for the period</b>	\$ 1,200,167	\$ 1,231,319	\$ 6,698,375	\$ 3,830,880
<b>Items that may be reclassified to statement of operations</b>				
<b>Currency translation adjustment</b>				
Attributable to shareholders of Company	694,975	(289,319)	1,318,944	1,011,044
Attributable to shareholders of non-controlling interest	196,808	(79,185)	375,266	286,424
<b>Comprehensive loss for the period</b>	2,091,950	862,815	8,392,585	5,128,348
Attributable to shareholders of Company	1,857,969	896,004	7,812,783	4,711,408
Attributable to shareholders of non-controlling interest	233,981	(33,189)	579,802	416,940
	\$ 2,091,950	\$ 862,815	\$ 8,392,585	\$ 5,128,348

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

## EAST AFRICA METALS INC.

(an exploration stage company)

Condensed Interim Consolidated Statements of Changes in Equity - unaudited

For the three and nine months ended September 30, 2017 and 2016

Expressed in Canadian dollars, unless otherwise stated

	Common Shares Without Par Value		Warrants	Contributed Surplus	Accumulated Other Comprehensive Income		Total Common Shareholders' Equity	Non- Controlling Interest	Total Equity
	Shares	Amount			Deficit				
Balance, December 31, 2016	119,656,513	\$ 40,328,702	\$ 1,280,432	\$ 146,458,190	\$ 4,530,842	\$ (172,874,525)	\$ 19,723,641	\$ 4,174,770	\$ 23,898,411
Private Placement (Notes 11(b) and (e))	20,000,000	4,579,603	620,397	--	--	--	5,200,000	--	5,200,000
Finders' fees (Note 11 (b))	--	(191,991)	(26,009)	--	--	--	(218,000)	--	(218,000)
Share issue costs	--	(27,710)	(3,102)	--	--	--	(30,812)	--	(30,812)
Shares issued on exercise of stock options (Notes 11(b) and (d))	376,222	77,872	--	(28,332)	--	--	49,540	--	49,540
Shares issued on exercise of warrants (Notes 11(b) and (e))	7,033,591	1,637,726	(328,550)	328,550	--	--	1,637,726	--	1,637,726
Shares issued on exercise of Tigray stock options (Notes 11(b),(d) and (e))	830,835	192,048	--	(33,434)	--	--	158,614	--	158,614
Share-based compensation (Note 11(d))	--	--	--	161,457	--	--	161,457	--	161,457
Expiry of warrants (Note 11(e))	--	--	(854,925)	854,925	--	--	--	--	--
Currency translation adjustment on foreign operations	--	--	--	--	(1,318,944)	--	(1,318,944)	(375,266)	(1,694,210)
Net loss for the period	--	--	--	--	--	(6,493,839)	(6,493,839)	(204,536)	(6,698,375)
Balance, September 30, 2017	147,897,161	\$ 46,596,250	\$ 688,243	\$ 147,741,356	\$ 3,211,898	\$ (179,368,364)	\$ 18,869,383	\$ 3,594,968	\$ 22,464,351

  

	Common Shares Without Par Value		Warrants	Contributed Surplus	Accumulated Other Comprehensive Income		Total Common Shareholders' Equity	Non- Controlling Interest	Total Equity
	Shares	Amount			Deficit				
Balance, December 31, 2015	102,799,661	\$ 38,209,582	\$ 1,408,806	\$ 145,953,144	\$ 5,106,630	\$ (167,703,138)	\$ 22,975,024	\$ 4,586,493	\$ 27,561,517
Private Placement (Notes 11(b) and (e))	10,000,000	897,143	102,857	--	--	--	1,000,000	--	1,000,000
Finders' fees (Notes 11(b) and (e))	--	(72,812)	15,194	--	--	--	(57,618)	--	(57,618)
Share issue costs	--	(5,000)	--	--	--	--	(5,000)	--	(5,000)
Share-based compensation (Note 11(d))	--	--	--	300,852	--	--	300,852	--	300,852
Shares issued on exercise of stock options (Notes 11(b) and (d))	2,470,000	296,116	--	(42,116)	--	--	254,000	--	254,000
Shares issued on exercise of warrants (Notes 11(b) and (e))	4,377,264	1,007,167	(222,945)	222,945	--	--	1,007,167	--	1,007,167
Currency translation adjustment on foreign operations	--	--	--	--	(1,011,044)	--	(1,011,044)	(286,424)	(1,297,468)
Net loss for the period	--	--	--	--	--	(3,700,364)	(3,700,364)	(130,516)	(3,830,880)
Balance, September 30, 2016	119,646,925	\$ 40,332,196	\$ 1,303,912	\$ 146,434,825	\$ 4,095,586	\$ (171,403,502)	\$ 20,763,017	\$ 4,169,553	\$ 24,932,570

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

**EAST AFRICA METALS INC.**

(an exploration stage company)

Condensed Interim Consolidated Statements of Cash Flows - unaudited

Expressed in Canadian dollars, unless otherwise stated

	<b>Nine months ended September 30,</b>	
	<b>2017</b>	<b>2016</b>
<b>Cash flows provided by (used for) operating activities</b>		
Loss for the period	\$ (6,698,375)	\$ (3,830,880)
Items not involving cash		
Amortization – administration (Note 10)	40,948	55,833
Amortization – exploration and evaluation (Notes 9 and 10)	195,766	237,275
Amortization – leasehold inducement	(19,673)	(19,672)
Share based compensation – administration (Note 11(d))	161,457	193,089
Share based compensation – exploration expenditure (Notes 9 and 11(d))	--	107,763
Unrealized foreign exchange loss	135,928	35,053
Changes in operating assets and liabilities		
Accounts receivable and taxes recoverable	(356,147)	436,021
Prepaid expenses, deposits, materials and supplies	(48,828)	71,936
Accounts payable and accrued liabilities	(440,387)	(833,902)
	(7,029,311)	(3,547,484)
<b>Cash flows provided by (used for) investing activities</b>		
Mineral property interests acquisitions (Note 8)	(17,034)	(101,631)
Mineral property interests recovery (Notes 2 and 8)	--	62,487
Tanzanian Definitive Agreement deposit (Notes 2 and 8)	--	264,517
Purchase of equipment (Note 10)	(6,450)	--
	(23,484)	225,373
<b>Cash flows provided by (used for) financing activities</b>		
Private Placement (Note 11(b))	5,200,000	1,000,000
Finders fees (Note 11(b))	(218,000)	--
Share issue costs	(30,812)	(62,618)
Proceeds from related party borrowings (Notes 12(a)(v) and (vi))	1,100,000	--
Repayment of related party borrowings (Note 12(a)(v))	(509,880)	--
Exercise of stock options (Notes 11(b) and (d))	49,540	254,000
Exercise of Tigray stock options (Notes 11(b) and (d))	158,614	--
Exercise of warrants (Notes 11(b) and (e))	1,637,726	1,007,167
	7,387,188	2,198,549
Effects of exchange rate changes on cash and cash equivalents	(69,016)	(17,132)
Increase (decrease) in cash and cash equivalents	265,377	(1,140,694)
Cash and cash equivalents, beginning of period	367,690	2,319,653
Cash and cash equivalents, end of period	\$ 633,067	\$ 1,178,959
<b>Non-cash financing activities</b>		
Fair value of finders' warrants (Note 11(e))	\$ --	\$ 15,194
Exercise of warrants	854,925	222,945

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

## **EAST AFRICA METALS INC.**

(an exploration stage company)

Notes to the Condensed Interim Consolidated Financial Statements – unaudited

For the three and nine months ended September 30, 2017 and 2016

Expressed in Canadian dollars, unless otherwise stated

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### **1. Nature of operations and going concern**

East Africa Metals Inc. (“East Africa” or the “Company”) was incorporated on December 7, 2012, under the Canada Business Corporations Act. The address of the Company’s corporate office and principal place of business is Suite 700, 1055 West Georgia Street, Vancouver, British Columbia, Canada. On July 11, 2013, the Company commenced trading on the TSX Venture Exchange (the “Exchange”) as a Tier 2 mining issuer under the trading symbol “EAM”.

East Africa is a minerals exploration company focused on the identification, acquisition, exploration, development and/or sale of base and precious mineral resource properties in the Federal Democratic Republic of Ethiopia (“Ethiopia”) and the United Republic of Tanzania (“Tanzania”). The Company’s major mineral properties consist of two projects in Ethiopia, the Harvest Project and the Adyabo Project and one project in Tanzania, the Handeni Properties.

The Company has not yet determined whether its properties contain mineral reserves that are economically recoverable. The continued operations of the Company and the recoverability of the amounts capitalized for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of such properties and upon future profitable production or proceeds from the disposition of such properties.

These unaudited condensed interim consolidated financial statements (“Interim Financial Statements”) are prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. For the nine months ended (“period ended”) September 30, 2017, the Company incurred a net loss attributable to shareholders totaling \$6,493,839 (2016 – \$3,700,364) and as at September 30, 2017, had an accumulated deficit of \$179,368,364 (December 31, 2016 – \$172,874,525) and working capital of \$258,336 (December 31, 2016 - \$103,924).

Based on the Company’s financial position as at September 30, 2017, the available funds are not considered adequate to meet requirements for the estimated operations, exploration and development expenditures in the coming twelve-month period. These requirements may be adversely impacted by an absence of normal available financing due to the continued uncertainty in the Exchange and the mineral exploration industry. To address its financing requirements, the Company will seek to close the Luck Winner Investment Limited financing (see the “Significant events and transactions” section, “*Ethiopian Binding Memorandum of Understanding*” for further information), seek financing through and not limited to the sale of non-strategic assets, debt financing, strategic alliances, gold streaming contracts or similar hybrid instruments, equity financing and optioning its mineral properties. However, there is no assurance that such financing will be available. This uncertainty casts significant doubt upon the Company’s ability to continue as a going concern. If the going concern assumption were not appropriate for these Interim Financial Statements, then adjustments would be necessary to the carrying values of assets, liabilities, the reported income and expenses and the consolidated balance sheets classifications used. Such adjustments could be material.

### **2. Significant events and transactions**

#### *Ethiopian Binding Memorandum of Understanding*

On September 28, 2017, the Company executed a binding memorandum of understanding (“Ethiopian MOU”) with Luck Winner Investment Limited (“LW”) providing for project development financing of up to US\$250,000,000 and a private placement of 52,100,000 units at a price of \$0.26 per unit for aggregate gross proceeds of approximately CAD\$13,550,000. LW has also agreed to provide an unsecured loan to the Company in the amount of CAD\$2,000,000.

Under the Ethiopian MOU, LW has committed to purchase, on a private placement basis, 52,100,000 units for aggregate gross proceeds of approximately CAD\$13,550,000. Each unit will consist of one common share and one-half of one share purchase warrant, with each whole warrant exercisable for \$0.45 and expiring 24 months from closing. The securities issued under the private placement will be subject to a hold period of four months. The proceeds will be used to continue exploration programs on the Company’s projects in Ethiopia and general working capital.

## **EAST AFRICA METALS INC.**

(an exploration stage company)

Notes to the Condensed Interim Consolidated Financial Statements – unaudited

For the three and nine months ended September 30, 2017 and 2016

Expressed in Canadian dollars, unless otherwise stated

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### **2. Significant events and transactions (continued)**

#### *Ethiopian Binding Memorandum of Understanding (continued)*

Upon completion of the private placement and conversion of the CAD\$2,000,000 loan described below, LW will own approximately 28.8% of the Company's outstanding shares (37.8% on a diluted basis). Also upon completion of the private placement, the Company will cause three of its directors to resign and appoint three LW nominees to fill those vacancies, and the Company may make certain changes to management positions.

LW and the Company also entered into a loan agreement pursuant to which LW has agreed to lend CAD\$2,000,000 to the Company. The loan will be repayable in six months and will accrue interest of 2% per annum. Under the loan agreement, the Company is required to restructure its existing cooperation agreement with respect to the Magambazi project within 30 days. Upon completion of the restructure, LW has the right to require the establishment of a joint venture for the development of the Magambazi project, which joint venture will be 70% owned by LW and 30% owned by the Company. The CAD\$2,000,000 loan proceeds will be deemed to be LW's cash consideration payable to the Company for the joint venture, and any accrued interest would be forgiven.

If the loan is not allocated and the interest forgiven in connection with the formation of a joint venture for the Magambazi project, at any time following 30 days after the execution of the loan agreement, LW shall have the right to convert the CAD\$2,000,000 loan principal and accrued interest into units of the Company at a deemed price of \$0.26 per unit. Each unit will consist of one common share and one-half of one share purchase warrant, with each whole warrant exercisable for \$0.45 and expiring six months from issuance. The securities issued under the loan will be subject to a hold period of four months. As at the date of the approval of these Interim Financial Statements, the loan had not been issued.

In November 2017, the Company announced that the Ethiopian MOU due diligence review had been extended for 30 days. The project development funding, the loan agreement and private placement are subject to certain conditions, including but not limited to, the establishment of JVCo, receipt of mining license for the Harvest Project, Harvest agreement to develop the project, completion of satisfactory due diligence reviews by both parties, execution of definitive agreements, East Africa's shareholder approval of the creation of a new control person and any transactions as required by the TSX Venture Exchange, and receipt of approval of the TSX Venture Exchange. The Company intends to call a shareholders meeting upon completion of East Africa's and LW's satisfactory due diligence review.

#### *Tanzanian Definitive Agreement*

On June 10, 2015, East Africa signed a binding agreement ("Tanzanian Definitive Agreement") with an arm's length private exploration and development company (the "Developer") with management based in the United Kingdom and Tanzania, to acquire and develop East Africa's Handeni Properties and Other Properties in Tanzania. On March 5, 2016 the "Tanzanian Effective Date", the Company completed the execution of the Tanzanian Definitive Agreement and the Gold Purchase Agreement with the Developer.

Pursuant to the Tanzanian Definitive Agreement, as at September 30, 2017, the Company had receivables of US\$85,805 (CAD\$107,082 – Note 7) for the Tanzanian recoverable operating expenses, US\$200,000 (CAD\$249,595 – Note 7) for the outstanding payments related to the first instalment of US\$500,000 and US\$21,728 (CAD\$27,116 – Note 7) for interest charges on the late payments. The instalments are recorded against mineral property interest until the transaction has closed.

Subsequent to September 30, 2017, the Company signed a Revised Framework letter to the Tanzanian Definitive Agreement to advance the Magambazi Project to annual production of 40,000 ounces of gold by 2020. Included in the framework, among other things are i) US\$250,000 payment (paid) on signing the Revised Framework; ii) US\$438,972 payment for the outstanding first instalment payment and outstanding recoverable expenses to be made on signing of an Addendum Agreement, which formalizes the Revised Framework, to the Tanzanian Definitive Agreement; iii) US\$500,000 payment on delivery of specified documents to the Developer to commence the transfer of the Tanzanian Assets; and iv) final payment of US\$750,000 which will be held in trust and released once the Tanzanian Government approval has been received for the transfer.

## **EAST AFRICA METALS INC.**

(an exploration stage company)

Notes to the Condensed Interim Consolidated Financial Statements – unaudited

For the three and nine months ended September 30, 2017 and 2016

Expressed in Canadian dollars, unless otherwise stated

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### **3. Statement of compliance and basis of preparation**

These Interim Financial Statements have been prepared in accordance with IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”) as issued by the IASB have been condensed or omitted. These Interim Financial Statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2016.

The accounting policies applied in the preparation of these Interim Financial Statements are consistent with those applied and disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2016. These Interim Financial Statements were approved by the Board of Directors on November 28, 2017.

These Interim Financial Statements have been prepared on an accrual basis and on an historical costs basis. The preparation of the Interim Financial Statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the Interim Financial Statements are disclosed in Note 4. These Interim Financial Statements are prepared in Canadian dollars, with all amounts rounded to the nearest dollar, unless otherwise stated.

### **4. Significant accounting estimates and judgments**

The preparation of these Interim Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Interim Financial Statements is included in the notes to these Interim Financial Statements where applicable. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The Company has identified the following critical accounting policies under which significant judgments, estimates and assumptions are made where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the Company’s balance sheet reported in future periods.

#### **(a) Going Concern**

These Interim Financial Statements have been prepared on the assumption that the Company is able to continue as a going concern. The Company has estimated its development, exploration and operational expenditure for the coming 12 months from historical and projected costs of its development, exploration and corporate programs. The Company’s expected commitments is based on management’s best estimates of operating conditions for continued engineering and metallurgical work on the Terakimti Oxide Gold resource, updated mineral resource work on the Adyabo Project, and exploration and corporate requirements in the context of current economic conditions and capital market climate. Refer to Note 1 for further details.

#### **(b) Investment in structured entity – Denwill Mining Services Limited (“Denwill”)**

Denwill is consolidated as a structured entity and the purpose of which is for the benefit of the Company to acquire primary mining licenses (“PML”) in Magambazi, restricted to citizens of Tanzania (see Note 8). During the year ended June 30, 2011, the Company provided funds to Denwill for the payments for the Magambazi PMLs. Concurrently, during the year ended June 30, 2011, the Company and Denwill entered into an agreement whereby the Company was granted an option to acquire all of the issued and outstanding shares of Denwill for US\$40,000, which has not yet been exercised. The Company has assessed it has control over Denwill as 1) Denwill’s two directors are directors of the Company’s 100% owned Tanzanian subsidiary Canaco Tanzania Limited (“CTL”), 2) the Company provides funds for the payments of PML’s, and 3) has the power to direct the exploration activities, which affects the risks and rewards from the Magambazi Project.

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### 4. Significant accounting estimates and judgments (continued)

#### (c) Tanzanian Assets

The Company has announced the proposed sale of its assets in Tanzania to a third party (see Note 2). Following the guidance under IFRS 5, “*Non-current assets held for sale and discontinued operations*”, management applied significant judgement to determine the classification of these assets, and whether an impairment assessment was required, as at September 30, 2017. In concluding its judgement, management evaluated the existence of a potential buyer, the continued commitment of the Company to sell the assets, the likelihood of shareholders’ and regulatory approval as well as the likelihood of completing the transaction within one year from the period end. Management has assessed that the assets in Tanzania should not be classified as held for sale as at September 30, 2017, given the uncertainty around timing of completion of the sale, which is contingent on in-country government approvals, the Developer’s final payments on the closing of the Tanzanian Definitive Agreement and the recent legal and regulatory changes to the Tanzanian Mining industry.

#### (d) Measurement uncertainty – Ethiopian and Tanzanian Mineral Property Interests assets

##### Ethiopia

The Company’s exploration licence at the Harvest Project and one of its exploration licences (Adi Dairo – See Note 8) at the Adyabo Project expired in January 2017. In January 2017, the Company applied for a 2-year extension (“Exploration Extensions”) for these exploration licenses. In August 2016, the Company submitted a mining licence application for the Terakimti Oxide Gold resource. In May 2017, the Company received a draft Model Agreement that sets out the conditions of the mining licence and once the Model Agreement is executed, it will result in the issuance of a mining licence.

As at September 30, 2017, the Ethiopian Ministry of Mines, Petroleum and Natural Gas (“MoMPNG”) continues to review the mining licence application and for the Exploration Extensions assessing, for purposes of adherence to Mining Regulations, whether the prospects be included in an expanded Harvest Terakimti Mining Licence area. If the MoMPNG does not approve the Exploration Extensions (or similar rights) or finalize the mining licence application the Company may lose title to its Ethiopian mineral property interest assets. If this were to occur, it would represent a trigger for an impairment assessment on the Ethiopian Mineral Property Interest assets.

##### Tanzania

In July 2017, three new Tanzanian Parliamentary bills were passed, which enacted changes to the legal and regulatory framework governing the natural resources sector in Tanzania. All of the legislation is now in force with the Tanzanian authorities in the process of implementing the legislation.

These changes include, among others:

- the right for the Government of Tanzania (TanGov) to renegotiate existing mineral development agreements at its discretion;
- the provision to the TanGov of a non-dilutive, free-carried interest of no less than 16% in all mining projects;
- the right for the TanGov to acquire up to 50% of any mining asset commensurate with the value of tax benefits provided to the owner of that asset by the TanGov;
- an increase in the rate of royalties from 4% to 6% on revenues from gold, copper, silver and platinum group metals;
- requirements for local beneficiation and procurement; and
- constraints on the use of off-shore bank accounts.

The Company has yet to commence production in Tanzania (See Note 2) and judged there is no material impact with the new changes to the legal and regulatory framework on the Company’s Tanzanian Mineral Property interests carrying amount. The Company continues to monitor the impact of the new legal and regulatory changes on its Tanzanian Assets.

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### **4. Significant accounting estimates and judgments (continued)**

#### (d) Measurement uncertainty – Ethiopian and Tanzanian Mineral Property Interests assets (continued)

##### Tanzania (continued)

Management identified the change in regulations as an indicator of impairment and performed an impairment assessment on its Tanzanian Assets. Management impairment assessment identified that the carrying amount did not exceed the recoverable amount of the Tanzanian Assets adjusted for the TanGov's non-dilutive 16% free-carried interest. Management used the fair value less costs of disposal adjusted by the 16% free-carried interest to the recoverable amount. In estimating the fair value less costs of disposal, the Company used a market approach. The Company's market approach calculated a fair value of comparable companies ("Peer") using an average of Peer's enterprise value to ounces. The Peer enterprise value inputs include the Peer market capitalization, cash, short-term assets and liabilities. The Peer's enterprise value and the gold equivalent ounces of its properties are used to calculate an enterprise value / ounce (EV/ounce) value.

In estimating fair value less costs of disposal, management's judgement was involved in identifying the Peer group. Management assumptions included criteria that would identify the Peer characteristics similar to the Company and its Tanzanian Assets. The criteria included market capitalization, continent of operations (Africa), commodity, stage of development and amount of mineral resources.

#### (e) Value Added Tax ("VAT") - taxes receivable recoverability

As at September 30, 2017, \$523,087 (see Note 7) was due to the Company's foreign subsidiaries in Tanzania and Ethiopia from the foreign governments for VAT.

The Tanzanian government has concluded that the Company's foreign subsidiary in Tanzania does not currently qualify for a VAT refund, as the Company's Tanzanian subsidiary has not generated taxable supplies. The Tanzanian government has indicated that the VAT receivable may be carried forward and deducted against future VAT payables when the Company's Tanzanian subsidiary starts making taxable supplies.

The Company has requested a VAT refund for its Ethiopian VAT receivable. The Ethiopian government continues to assess the Company's VAT refund which was submitted in November 2016. As a result of the delay in the Ethiopian assessment the Company has judged to reclass the Ethiopian VAT receivable as non-current. As at September 30, 2017, there is no available information provided to the Company that indicates that the VAT receivable is not collectible.

The Company's assessment of its ability to collect its foreign VAT accounts receivable required judgement on the governments' position. A change in this judgment in future periods or receipt of other evidence indicating that collection is unlikely or the final amount of the VAT that the foreign governments will approve for refund may have an impact on the statement of operations.

#### (f) Tanzanian Definitive Agreement receivable recoverability

With the execution of the Tanzanian Definitive Agreement, as at September 30, 2017, US\$200,000 (CAD\$249,595 – Notes 2 and 7) was due to the Company for the outstanding instalments for the first payment of US\$500,000, which was due on March 17, 2016. As identified in Note 2, subsequent to September 30, 2017, the Company signed a Revised Framework Letter with the Developer which required a payment by the Developer of US\$250,000 on signing and included terms for future payments. The US\$250,000 payment has been received.

The Company's assessment of its ability to collect the outstanding receivable required judgement on the ability of the Developer to raise money to complete the outstanding payments. Management made a judgement with respect to the ability to receive the outstanding receivable from the Developer and concluded that a provision against outstanding receivables is not necessary based on the preceding facts. A change in this judgment in future periods may have an impact on statement of operations based on receipt of other evidence indicating that collection is unlikely.

## **EAST AFRICA METALS INC.**

(an exploration stage company)

Notes to the Condensed Interim Consolidated Financial Statements – unaudited

For the three and nine months ended September 30, 2017 and 2016

Expressed in Canadian dollars, unless otherwise stated

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### **4. Significant accounting estimates and judgments (continued)**

#### **(g) Valuation of share purchase warrants**

The Company uses the Black-Scholes option pricing model to calculate the fair value of share purchase warrants (“Warrants”) issued in connection with the financing (Notes 11(b) and (e)). Option pricing models require the input of highly subjective assumptions including the expected price volatility, forfeiture rate and expected life. Historical price volatility, forfeiture rate and the Warrants expected life were used as a starting point for the development of future expectations. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore existing models do not necessarily provide a reliable single measure of the fair value of the Company’s Warrants at the date of grant. For the valuation calculations performed during the period (Refer to Note 11(e)), the forfeiture rate is expected to be zero as there has been no historical forfeiture experience. Warrants expected life is determined using the following factors: i) East Africa has submitted a mining licence application for the Terakimti Oxide Gold resource; ii) the Company plans to submit a mining licence application for the Adyabo Project; and iii) management is continuing discussions with interested parties for potential financing/strategic alliance for the development of the Terakimti Oxide Gold resource. A change in these judgments and estimates in future periods may have an impact on the statement of operations.

### **5. Adoption of new or revised IFRSs**

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2017. These changes were made in accordance with the applicable transitional provisions.

#### **(a) IAS 7 Statements of Cash Flows (“IAS 7”) – amendment**

In January 2016, the IASB issued amendments to IAS 7, *Statements of Cash Flows*, effective for annual periods beginning on or after January 1, 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The Company has concluded there is no impact on the adoption of this standard.

### **6. IFRSs not yet effective**

Certain new standards, interpretations, amendments and improvements to existing standards for adoption after January 1, 2018 or later were issued by the IASB or International Financial Reporting Interpretations Committee. The Standards that are applicable to the Company are as follows:

#### **(a) IFRS 2 Share-based Payments (“IFRS 2”)**

In June 2016, the IASB issued amendments to IFRS 2, classifying how to account for certain types of share-based payment transactions, including the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, accounting for share-based payment transactions with a net settlement feature for withholding tax obligations, and accounting for modifications to the terms and conditions of a share-based payment that changes the classification of the share-based payment transaction from cash-settled to equity-settled. IFRS 2 is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of determining the extent of the impact of adopting this standard.

#### **(b) IFRS 9 Financial Instruments (“IFRS 9”)**

The final version of IFRS 9 was issued by the IASB in July 2014 and will replace *IAS 39 Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a model for classification and measurement, a single, forward-looking ‘expected loss’ impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses.

It also includes changes in respect of credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity’s own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, and is available for early adoption. In addition, the credit risk changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Company has elected not to early adopt and continues to assess the impact of adoption.

## EAST AFRICA METALS INC.

(an exploration stage company)

Notes to the Condensed Interim Consolidated Financial Statements – unaudited

For the three and nine months ended September 30, 2017 and 2016

Expressed in Canadian dollars, unless otherwise stated

### 6. IFRSs not yet effective (continued)

#### (c) IFRS 16 Leases (“IFRS 16”)

In January 2016, the IASB announced its new leasing standard, *IFRS 16*. The new standard will eliminate the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The new standard will present a single on-balance sheet accounting model that is similar to current finance lease accounting. The new standard will take effect for fiscal years starting on or after January 1, 2019. The Company expects the new standard to result in some leases, which are currently accounted for under the operating lease method, being added to the balance sheet. The Company has elected not to early adopt and continues to assess the impact of adoption.

#### (d) IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (“IFRIC 22”)

On December 8, 2016, the IASB issued IFRIC 22, which addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. The standard provides guidance on how to determine the date of the transaction for the purpose of determining the spot exchange rate used to translate the asset, expense or income on initial recognition that relates to, and is recognized on the de-recognition of, a non-monetary prepayment asset or a non-monetary defined income liability. It is effective January 1, 2018. The Company is in the process of determining the extent of the impact of adopting this standard.

### 7. Accounts receivable

	September 30, 2017	December 31, 2016
<b>Current</b>		
Tanzanian Definitive Agreement	\$ 383,793	\$ 319,401
Related parties and other receivables	115,942	90,024
Taxes recoverable	70,671	141,500
	570,406	550,925
<b>Non-current</b>		
Taxes recoverable	\$ 523,087	\$ 208,343

Non-current taxes receivable relates to VAT refund claim from foreign governments. Refer to Note 4(e) for further details. The Tanzanian Definitive Agreement receivable relates to outstanding instalment payments, interest charges on past due payments and recoverable operating expenses for the Tanzanian Assets (Refer to Notes 2 and 4(f) for further details).

### 8. Mineral property interests

Details of the Company’s mineral property interests are as follows:

	Tanzania, Handeni properties	Tanzania, Other properties	Ethiopia Harvest Project	Ethiopia Adyabo Project	Total
<b>Acquisition costs</b>					
As at December 31, 2016	\$ 1,929,119	\$ 2,175,344	\$ 17,482,161	\$ 833,958	\$ 22,420,582
Property payments	11,003	5,846	--	185	17,034
Property payments recoveries	(12,121)	(34,701)	--	--	(46,822)
Foreign exchange	(173,730)	(156,272)	(1,233,011)	(31,712)	(1,594,725)
As at September 30, 2017	\$ 1,754,271	\$ 1,990,217	\$ 16,249,150	\$ 802,431	\$ 20,796,069

## EAST AFRICA METALS INC.

(an exploration stage company)

Notes to the Condensed Interim Consolidated Financial Statements – unaudited

For the three and nine months ended September 30, 2017 and 2016

Expressed in Canadian dollars, unless otherwise stated

### 8. Mineral property interests (continued)

	Tanzania, Handeni properties	Tanzania, Other properties	Ethiopia Harvest Project	Ethiopia Adyabo Project	Total
<b>Acquisition costs</b>					
As at December 31, 2015	\$ 2,529,204	\$ 2,382,821	\$ 18,019,853	\$ 847,185	\$ 23,779,063
Property payments	69,431	47,881	64	550	117,926
Property payments recoveries	(69,431)	(31,586)	--	--	(101,017)
Tanzanian Definitive Agreement deposit	(531,467)	--	--	--	(531,467)
Foreign exchange	(125,659)	(124,251)	(941,355)	(24,185)	(1,215,450)
As at September 30, 2016	\$ 1,872,078	\$ 2,274,865	\$ 17,078,562	\$ 823,550	\$ 22,049,055

#### Harvest Project

The Harvest Project in Ethiopia consists of three primary exploration concessions on the Harvest exploration licence. The three primary concessions are known as Hamlo, Terakimti, and Igub. In 2016, the Company applied for a mining licence for the Terakimti Oxide Gold resource (Refer to Note 4(d)). The exploration licence has a term of 10 years and expired in January 2017, which the Company has applied for an extension (Refer to Note 4(d)). The Company has a 70% interest in the Harvest Project with the remaining 30% (non-controlling interest) held with Ezana Mining Development PLC.

#### Adyabo Project

The Adyabo Project consists of two exploration licences, West Shire and Adi Dairo, located in the Tigray National Regional State of Ethiopia. The exploration licences have a term of 10 years and the Adi Dairo licence expired in January 2017, which the Company applied for an extension (Refer to Note 4(d)). Subsequent to September 30, 2017, the West Shire license expired in October 2017. The Company holds 100% interest in the Adyabo Project with the option to buy back 1.0% of the Net Smelter Return for a cash payment of \$5,000,000.

Once the Company has received government approval on a positive feasibility study, the Company shall issue 550,000 East Africa common shares and 400,000 East Africa Warrants to the optionor, and on commencement of commercial production, the Company shall issue 275,000 East Africa common shares and 200,000 East Africa Warrants to the optionor. These 600,000 issuable East Africa Warrants in addition to 1,040,000 East Africa Warrants issued on the anniversary dates to the optionor expired in May 2017 (Note 11(e)).

#### Tanzania – Handeni & Other Properties

As identified in Note 2 the Company has entered into a Tanzanian Definitive Agreement to develop the Tanzania Handeni Properties and Other Properties. The properties are located in the Handeni district, Tanga Region of Tanzania. The Company has two mining licenses covering the Magambazi Project with CTL holding one mining licence and Denwill holding the second mining licence. The Company has an option agreement to acquire 100% interest of Denwill, a structured entity controlled by East Africa, upon payment of US\$40,000. As at September 30, 2017, the option has not yet been exercised. The Company's "Other Properties" consists of two claims and are located in the Handeni district, Tanga Region of Tanzania. As at September 30, 2017, the Company judged that the new changes in the Tanzanian Mining industry do not have an impact on the Handeni & Other Properties carrying amount (Refer to Note 4(d) for further information).

**EAST AFRICA METALS INC.**

(an exploration stage company)

Notes to the Condensed Interim Consolidated Financial Statements – unaudited

For the three and nine months ended September 30, 2017 and 2016

Expressed in Canadian dollars, unless otherwise stated

**9. Exploration and evaluation expenditure (“exploration expenditure”)**

	<b>Tanzania, Handeni &amp; Other Properties</b>	<b>Ethiopia Harvest Project</b>	<b>Ethiopia Adyabo Project</b>	<b>Three months ended September 30, 2017</b>	<b>Nine months ended September 30, 2017</b>
<b>Exploration expenditure</b>					
Amortization	\$ 40,947	\$ 4,998	\$ 15,514	\$ 61,459	\$ 195,766
Camp and administration costs	108,294	65,139	100,557	273,990	954,548
Drilling	--	8,509	80,252	88,761	2,049,829
Geochemistry	784	2,969	17,261	21,014	41,430
Geology	--	2,405	9,548	11,953	371,550
Geophysics	--	--	31,923	31,923	118,178
Preliminary resource and engineering studies	--	17,700	79,840	97,540	281,662
Property management and consulting	6,576	--	--	6,576	20,582
Technical services	68	19,718	52,409	72,195	262,225
<b>Total for the period</b>	<b>\$ 156,669</b>	<b>\$ 121,438</b>	<b>\$ 387,304</b>	<b>\$ 665,411</b>	<b>\$ 4,295,770</b>
Cumulative exploration expenditure as at December 31, 2016					80,724,892
Cumulative exploration expenditure as at September 30, 2017					\$ 85,020,662

	<b>Tanzania, Handeni properties</b>	<b>Ethiopia Harvest Project</b>	<b>Ethiopia Adyabo Project</b>	<b>Three months ended September 30, 2016</b>	<b>Nine months ended September 30, 2016</b>
<b>Exploration expenditure</b>					
Amortization	\$ 49,520	\$ 8,070	\$ 18,146	\$ 75,736	\$ 237,275
Camp and administration costs	79,191	61,233	70,962	211,386	804,755
Drilling	--	1,588	7,479	9,067	202,824
Geochemistry	729	2,262	2,907	5,898	68,782
Geology	--	2,470	30,356	32,826	110,261
Preliminary resource and engineering studies	--	22,743	--	22,743	121,835
Property management and consulting	6,850	--	--	6,850	20,462
Share-based compensation	--	--	--	--	107,763
Technical services	85	20,410	37,839	58,334	159,131
<b>Total for the period</b>	<b>\$ 136,375</b>	<b>\$ 118,776</b>	<b>\$ 167,689</b>	<b>\$ 422,840</b>	<b>\$ 1,833,088</b>
Cumulative exploration expenditure as at December 31, 2015					77,960,175
Cumulative exploration expenditure as at September 30, 2016					\$ 79,793,263

## EAST AFRICA METALS INC.

(an exploration stage company)

Notes to the Condensed Interim Consolidated Financial Statements – unaudited

For the three and nine months ended September 30, 2017 and 2016

Expressed in Canadian dollars, unless otherwise stated

### 10. Property and equipment

Details of the Company's property and equipment are as follows:

	Buildings and roads	Office and field equipment	Computers and software	Leasehold improvements	Vehicles	Total
<b>Cost</b>						
As at December 31, 2016	\$ 2,091,536	\$ 1,185,068	\$ 509,819	\$ 566,154	\$ 163,910	\$ 4,516,487
Additions	--	2,761	3,689	--	--	6,450
Disposals	--	(4,139)	(9,411)	--	--	(13,550)
Foreign exchange	(150,067)	(80,409)	(9,243)	(7,187)	(11,561)	(258,467)
As at September 30, 2017	\$ 1,941,469	\$ 1,103,281	\$ 494,854	\$ 558,967	\$ 152,349	\$ 4,250,920
<b>Accumulated amortization</b>						
As at December 31, 2016	\$ 1,332,232	\$ 917,586	\$ 493,288	\$ 451,861	\$ 77,270	\$ 3,272,237
Amortization	--	6,689	6,077	28,182	--	40,948
Exploration amortization	131,149	37,763	1,066	--	25,788	195,766
Disposals	--	(4,139)	(9,411)	--	--	(13,550)
Foreign exchange	(99,858)	(67,649)	(9,047)	(7,187)	(6,614)	(190,355)
As at September 30, 2017	\$ 1,363,523	\$ 890,250	\$ 481,973	\$ 472,856	\$ 96,444	\$ 3,305,046
As at September 30, 2017	\$ 577,946	\$ 213,031	\$ 12,881	\$ 86,111	\$ 55,905	\$ 945,874
As at December 31, 2016	759,304	267,482	16,531	114,293	86,640	1,244,250
<b>Cost</b>						
As at December 31, 2015	\$ 2,156,983	\$ 1,213,556	\$ 505,091	\$ 569,289	\$ 168,952	\$ 4,613,871
Additions	--	--	1,499	--	--	1,499
Foreign exchange	(114,572)	(50,059)	(6,929)	(5,488)	(8,827)	(185,875)
As at September 30, 2016	\$ 2,042,411	\$ 1,163,497	\$ 499,661	\$ 563,801	\$ 160,125	\$ 4,429,495
<b>Accumulated amortization</b>						
As at December 31, 2015	\$ 1,173,053	\$ 838,700	\$ 485,636	\$ 417,420	\$ 41,357	\$ 2,956,166
Amortization	--	22,779	4,872	28,182	--	55,833
Exploration amortization	146,991	57,978	4,400	--	27,906	237,275
Foreign exchange	(62,445)	(35,701)	(6,592)	(5,488)	(2,385)	(112,611)
As at September 30, 2016	\$ 1,257,599	\$ 883,756	\$ 488,316	\$ 440,114	\$ 66,878	\$ 3,136,663
As at September 30, 2016	\$ 784,812	\$ 279,741	\$ 11,345	\$ 123,687	\$ 93,247	\$ 1,292,832
As at December 31, 2015	983,930	374,856	19,455	151,869	127,595	1,657,705

## **EAST AFRICA METALS INC.**

(an exploration stage company)

Notes to the Condensed Interim Consolidated Financial Statements – unaudited

For the three and nine months ended September 30, 2017 and 2016

Expressed in Canadian dollars, unless otherwise stated

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### **11. Share capital**

As at September 30, 2017, the Company's share capital consisted of the following:

- (a) Authorized: Unlimited common shares without par value.
- (b) Issued and outstanding: 147,897,161 (December 31, 2016 – 119,656,513) common shares.

On March 07, 2017, the Company completed the non-brokered Private Placement ("Private Placement") of 20,000,000 Units (the "Units") at a price of \$0.26 per Unit for gross proceeds of \$5,200,000. Each Unit consists of one common share of the Company and one-half of one non-transferable Warrant. Each whole Warrant will entitle the holder thereof to purchase one common share at an exercise price of \$0.45 for a period of 18 months from the date of closing (Note 11(e)). The Company recorded a finders' fee of 4% of the Private Placement for \$218,000.

For the nine months ended September 30, 2017, the Company issued 7,033,591 common shares for proceeds of \$1,637,726 on the exercise of Warrants, 376,222 common shares for proceeds of \$49,540 on the exercise of stock options, and 830,835 common shares for proceeds of \$158,614 on the exercise of Tigray Resources Inc. ("Tigray") stock options (Note 11(d)).

On May 31, 2016, the Company completed the Private Placement of 10,000,000 Units at a price of \$0.10 per Unit for gross proceeds of \$1,000,000. Each Unit consists of one common share of the Company and one-half of one non-transferable Warrant. Each whole Warrant will entitle the holder thereof to purchase one common share at an exercise price of \$0.25 for a period of 24 months from the date of closing.

For the nine months ended September 30, 2016, the Company issued 4,377,264 common shares for proceeds of \$1,007,167 on the exercise of warrants and 2,470,000 common shares for proceeds of \$254,000 on the exercise of stock options.

- (c) Escrowed shares

As at September 30, 2017, 675,045 (December 31, 2016 – 675,045) common shares are held in escrow. The release of these shares is based on the future exploration expenditure, discovery of an ore deposit and achieving commercial mineral production.

- (d) Share-based compensation

East Africa has established a stock option plan whereby the Board of Directors may grant stock options to directors, officers, employees or consultants in order to more closely align the grant-recipients' interests with those of shareholders. Pursuant to the stock option plan, the Company has been authorized by its shareholders to grant stock options of up to twenty percent (20%) of the number of common shares issued and outstanding. Stock options granted are subject to a maximum term of ten years from the date of grant. The exercise price of a stock option must be determined in accordance with the share purchase option plan. Stock options vest at the time the stock options are granted unless determined otherwise by the Board of Directors, other than stock options granted to employees and/or consultants performing investor relations activities, which vest in stages over twelve months with no more than one quarter vesting in any three-month period.

During the nine months ended September 30, 2017, 376,222 options (2016 – 2,470,000) were exercised with a weighted average exercise price of \$0.13 (2016 – \$0.10). The weighted average of the Company's share price at the time of exercise was \$0.25 (2016 – \$0.25) per share.

For the nine months ended September 30, 2017, the Company granted 1,000,000 (2016 – 13,500,000) stock options to two Directors, which vested on the grant date, with a fair value of \$161,457 (2016 – \$300,852) of which \$161,457 (2016 – \$193,089) was recorded as share-based compensation expense and \$Nil (2016 – \$107,763) was recognized as share-based compensation expense within exploration expenditure. The stock options were valued using the Black-Scholes model based on the following assumptions: expected dividend yield of 0% (2016 – 0%), expected volatility of 101.27% (2016 – 88.80% to 118.45%), risk-free rate of 0.73% (2016 – 0.48% to 0.63%), and expected life of 2.5 years (2016 – 1.00 year to 2.50 years). For the nine months ended September 30, 2017, 600,000 stock options expired unexercised.

## EAST AFRICA METALS INC.

(an exploration stage company)

Notes to the Condensed Interim Consolidated Financial Statements – unaudited

For the three and nine months ended September 30, 2017 and 2016

Expressed in Canadian dollars, unless otherwise stated

### 11. Share capital (continued)

#### (d) Share-based compensation (continued)

As at September 30, 2017, there were 1,614,390 (December 31, 2016 – 3,125,000) Tigray stock options outstanding that on exercise would be exchanged for 887,915 East Africa shares (December 31, 2016 – 1,718,750) and Nil East Africa Warrants (December 31, 2016 – 1,250,000) (Note 11(e)). During the nine months ended September 30, 2017, 1,510,610 (2016 – Nil) Tigray stock options were exercised with an exercise price of \$0.105. Under the terms of the East Africa's acquisition of Tigray in the year ended December 31, 2014, the exercised stock options were exchanged for 830,835 East Africa common shares at the exchange ratio of 0.55. The weighted average of the Company's share price at the time of exercise was \$0.26 per share.

Details of stock options activity during the nine months ended September 30, 2017 and 2016 are as follows:

	Number of options outstanding	Weighted average exercise price
Balance, December 31, 2016	15,770,500	\$ 0.12
Issued	1,000,000	0.29
Exercised	(376,222)	0.13
Expired	(600,000)	0.14
Outstanding and exercisable, September 30, 2017	15,794,278	0.13
Outstanding and exercisable, December 31, 2016	15,770,500	\$ 0.12

	Number of options outstanding	Weighted average exercise price
Balance, December 31, 2015	4,750,000	\$ 0.14
Issued	13,500,000	0.11
Exercised	(2,470,000)	0.10
Outstanding and exercisable, September 30, 2016	15,780,000	0.12
Outstanding and exercisable, December 31, 2015	4,750,000	\$ 0.14

The following table summarizes information about the stock options outstanding and exercisable at September 30, 2017:

Options outstanding			Options exercisable		
Number outstanding	Weighted average exercise price	Weighted average remaining life	Expiry date	Number exercisable	Weighted average exercise price
3,800,000	\$ 0.14	0.88 years	August 19, 2018	3,800,000	\$ 0.14
23,778	0.14	1.62 years	May 16, 2019	23,778	0.14
8,720,500	0.10	3.30 years	January 15, 2021	8,720,500	0.10
900,000	0.10	3.48 years	March 23, 2021	900,000	0.10
450,000	0.15	3.58 years	April 29, 2021	450,000	0.15
900,000	0.16	0.71 years	June 15, 2018	900,000	0.16
1,000,000	0.29	4.57 years	April 25, 2022	1,000,000	0.29
15,794,278	\$ 0.13	2.67 years		15,794,278	\$ 0.13

## EAST AFRICA METALS INC.

(an exploration stage company)

Notes to the Condensed Interim Consolidated Financial Statements – unaudited

For the three and nine months ended September 30, 2017 and 2016

Expressed in Canadian dollars, unless otherwise stated

### 11. Share capital (continued)

#### (e) Warrants

On March 07, 2017, the Company completed the Private Placement of 20,000,000 Units and issued 10,000,000 Warrants. The fair value of the 10,000,000 Warrants was \$620,397. The fair value of the Warrants was estimated using the Black-Scholes model based on the following assumptions: expected dividend yield of 0%, expected volatility of 105.95%, risk-free rate of 0.79% and expected life of 1.00 year. If at any time after the date that is four months after the date of issuance of the Warrants, the Company's common shares have a closing price on the Exchange (or such other exchange on which the common shares may be traded at such time) of \$0.65 per share or greater for a period of 10 consecutive trading days, the Company will be entitled to accelerate the expiry date of the Warrants upon 20 days' notice given in a news release, and the Warrants will then expire on the 20th day after the date of such notice.

During the nine months ended September 30, 2017, 7,033,591 Warrants were exercised with a weighted average exercise price of \$0.23. The weighted average share price at the time of exercise was \$0.25 per share. During the nine months ended September 30, 2017, 524,244 (2016 – Nil) East Africa Warrants with an exercise price of \$0.23 were issued on the exercise of 1,510,610 Tigray stock options at the exchange ratio of 0.40. As at September 30, 2017, there are Nil East Africa Warrants (December 31, 2016 – 1,250,000) that can be issued on the exercise of outstanding 1,614,390 Tigray stock options with expiry of August 19, 2018 (December 31, 2016 – 3,125,000). For the nine months ended September 30, 2017, 16,624,968 Warrants expired unexercised. Subsequent to September 30, 2017, 150,000 warrants were exercised at an exercise price of \$0.25 with a weighted average share price at the time of exercise of \$0.22 per share.

On May 31, 2016, the East Africa completed the Private Placement of 10,000,000 Units and issued 5,000,000 Warrants. The Warrants were valued at \$102,857. The Company paid a finders' fees of 6% or \$57,618, and issued 57,618 finders' Warrants valued at \$15,194. Each finders' Warrant entitles the holder to acquire one common share of the Company at a price of \$0.25 per share for a period of 24 months from the date of closing. The fair value of the Warrants was estimated using the Black-Scholes model based on the following assumptions: expected dividend yield of 0%, expected volatility of 114.35%, risk-free rate of 0.61% and expected life of 1.00 year.

If at any time after the date that is four months after the date of issuance of the Warrants, the Company's common shares have a closing price on the Exchange (or such other exchange on which the common shares may be traded at such time) of \$0.30 per share or greater for a period of 10 consecutive trading days, the Company will be entitled to accelerate the expiry date of the Warrants upon 20 days' notice given by news release, and the Warrants will then expire on the 20th day after the date of such notice.

During the nine months ended September 30, 2016, 4,377,264 warrants were exercised with a weighted average exercise price of \$0.23. The related weighted average share price at the time of exercise was \$0.35 per share. Details of the Warrants activity during the nine months ended September 30, 2017 and 2016 are as follows:

	<b>Number of warrants outstanding</b>	<b>Weighted average exercise price</b>
Balance, December 31, 2016	27,690,695	\$ 0.23
Issued	10,524,244	0.44
Exercised	(7,033,591)	0.23
Expired	(16,624,968)	0.23
Outstanding and exercisable, September 30, 2017	14,556,380	0.39
Outstanding and exercisable, December 31, 2016	27,690,695	\$ 0.23

  

	<b>Number of warrants outstanding</b>	<b>Weighted average exercise price</b>
Balance, December 31, 2015	26,491,867	\$ 0.23
Private Placement	5,000,000	0.25
Finders' warrants	576,180	0.25
Exercised	(4,377,264)	0.23
Outstanding and exercisable, September 30, 2016	27,690,783	0.23
Outstanding and exercisable, December 31, 2015	26,491,867	\$ 0.23

## EAST AFRICA METALS INC.

(an exploration stage company)

Notes to the Condensed Interim Consolidated Financial Statements – unaudited

For the three and nine months ended September 30, 2017 and 2016

Expressed in Canadian dollars, unless otherwise stated

### 11. Share capital (continued)

#### (e) Warrants (continued)

The following table summarizes information about the Warrants outstanding and exercisable at September 30, 2017:

Warrants outstanding and exercisable	Weighted average exercise price	Weighted average remaining contractual life	Expiry date
4,556,380	\$ 0.25	0.67 years	May 31, 2018
10,000,000	0.45	0.94 years	September 7, 2018
14,556,380	\$ 0.39	0.85 years	

### 12. Related party transactions

#### (a) Related parties

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Services rendered and expenses incurred (vii):				
Services and related expenses (i)	\$ 13,150	\$ 38,172	\$ 66,350	\$ 112,015
Finance costs (v)	--	--	9,880	--
Management fees (ii)	77,500	73,750	292,000	221,875

	September 30, 2017	December 31, 2016
Balances receivable from (vii):		
Reimbursement of shared costs (iii)	\$ 87,987	\$ 90,136
Directors and officers (iv)	15,306	--
	103,293	90,136
Balances payable to (vii):		
Services rendered (i)	(15,202)	(11,452)
Loan payable (vi)	(600,000)	--
Directors and officers (iv)	(125,692)	(169,680)
	\$ (740,894)	\$ (181,132)

Related parties' transactions:

- (i) Geological and administration services were paid to a director and related parties with directors in common.
- (ii) Management fees were paid to a privately held company for the services of an officer of the Company and consulting fees to a company with directors in common.
- (iii) The Company shares office premises with two other companies that have directors in common and expenses were reimbursed at cost.
- (iv) Included in receivable from directors and officers are 7 month loans at an interest rate of 1.25% per annum. Included in payable to directors and officers are directors fees and reimbursement of expenses.
- (v) On January 15, 2017, SinoTech (Hong Kong) Corporation Limited ("SinoTech"), a related party with directors in common, agreed to grant a short-term unsecured loan to the Company for \$500,000 with an interest rate of 12% per annum. The loan and all accrued and unpaid interest was payable on the earlier of 10 business days after the Company's closing of the Private Placement announced in November 2016 or 90 days from the Company's receipt of the loan proceeds. During the nine months ended September 30, 2017, East Africa repaid the principal and interest of \$509,880.

## EAST AFRICA METALS INC.

(an exploration stage company)

Notes to the Condensed Interim Consolidated Financial Statements – unaudited

For the three and nine months ended September 30, 2017 and 2016

Expressed in Canadian dollars, unless otherwise stated

### 12. Related party transactions (continued)

#### (a) Related parties (continued)

(vi) On August 31, 2017, SinoTech provide a second short-term unsecured loan to the Company in the amount of \$600,000 with an interest rate of 12% per annum. The loan and all accrued and unpaid interest was payable on the earlier of 15 business days after the Company's closing of the financing announced in October 2017 (Note 15) or 120 days from the Company's receipt of the loan proceeds. As of September 30, 2017, the loan remained unpaid.

(vii) These transactions were in the normal course of business that is recorded at their exchanged amounts and was established and agreed to by the related parties. The balances payable are included in accounts payable and accrued liabilities and the balances receivable are included in accounts receivable.

#### (b) Key management personnel

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management includes the Company's directors and members of the senior management group. Details of key management personnel compensation is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Directors fees, bonuses, key management personnel salaries and short-term benefits	\$ 167,090	\$ 151,526	\$ 637,766	\$ 445,346
Share-based compensation	--	--	161,457	148,151
	\$ 167,090	\$ 151,526	\$ 799,223	\$ 593,497

In 2016 the Company approved the grant of up to 2,750,000 bonus common shares to certain officers at a deemed issue price of \$0.10 per common share, subject to a vesting schedule of the later of July 1, 2016 or the date a mining license for the Company's Harvest Project is issued.

### 13. Financial instruments

#### *Fair values*

The Company's financial assets and liabilities are classified based on the lowest level of input significant to the fair value measurement based on the fair value hierarchy. As at September 30, 2017, the Company did not have any financial assets and liabilities classified within the three levels of the hierarchy.

The three levels of the fair value hierarchy are:

- Level 1 – Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Valuation based on directly or indirectly observable inputs (other than Level 1 inputs) such as quoted interest or currency exchange rates; and
- Level 3 – Valuation based on significant inputs that are not based on observable market data such as discounted cash flow methodologies based on internal cash flow forecasts.

Financial assets and financial liabilities are measured on an ongoing basis at amortized cost. The book values of cash and cash equivalents and accounts receivable are representative of their respective fair values due to the short-term nature of these instruments. The fair value of accounts payable and loan payable may be less than the carrying value as a result of the Company's credit and liquidity risk (See Note 1).

## EAST AFRICA METALS INC.

(an exploration stage company)

Notes to the Condensed Interim Consolidated Financial Statements – unaudited

For the three and nine months ended September 30, 2017 and 2016

Expressed in Canadian dollars, unless otherwise stated

### 13. Financial instruments (continued)

As at September 30, 2017 and December 31, 2016, the classifications of the financial instruments are shown in the table below:

	Loans and receivables	Other financial liabilities	Total carrying value
As at September 30, 2017			
Cash and cash equivalents	\$ 633,067	\$ --	\$ 633,067
Accounts receivable and related parties	499,735	--	499,735
Accounts payable	--	(299,635)	(299,635)
Loan payable	--	(600,000)	(600,000)
	\$ 1,132,802	\$ (899,635)	\$ 233,167

	Loans and receivables	Other financial liabilities	Total carrying value
As at December 31, 2016			
Cash and cash equivalents	\$ 367,690	\$ --	\$ 367,690
Accounts receivable and related parties	409,425	--	409,425
Accounts payable	--	(592,958)	(592,958)
	\$ 777,115	\$ (592,958)	\$ 184,157

### 14. Geographical segment information

The Company's activities are all in the one industry segment of mineral property acquisition, exploration and development. Following is a summary of net loss and non-current assets by geographical segment:

	Canada	Tanzania	Ethiopia	Total
For the three months ended September 30, 2017				
Net loss	\$ 523,767	\$ 156,555	\$ 519,845	\$ 1,200,167
For the nine months ended September 30, 2017				
Net loss	2,319,186	445,105	3,934,084	6,698,375
As at September 30, 2017				
Total non-current assets	745,426	4,324,693	17,194,911	22,265,030

	Canada	Tanzania	Ethiopia	Total
For the three months ended September 30, 2016				
Net loss	\$ 805,987	\$ 135,638	\$ 289,694	\$ 1,231,319
For the nine months ended September 30, 2016				
Net loss	1,981,638	452,157	1,397,085	3,830,880
As at September 30, 2016				
Total non-current assets	791,490	4,938,316	17,811,898	23,541,704